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Message Text

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70
ACTION EUR-12

INFO OCT-01 ISO-00 EB-04 TRSE-00 OMB-01 SAJ-01 ACDA-05

CIAE-00 PM-03 H-01 INR-05 L-01 NSAE-00 NSC-05 PA-01

RSC-01 PRS-01 SP-02 SS-15 USIA-06 /065 W
---------- 109870
R 241730Z OCT 74
FM USMISSION NATO
TO SECSTATE WASHDC 8385
SECDEF WASHDC
INFO USDOC

C O N F I D E N T I A L USNATO 5920

E.O. 11652: GDS
TAGS: MARR, NATO
SUBJECT: INFRASTRUCTURE COMMITTEE ACTION ON TARE BIDS AND
PRODUCTION SHARING

REF: A. STATE 231098
B. USNATO 5650
C. USNATO 5684

BEGIN SUMMARY INFRASTRUCTURE COMMITTEE IN MEETING OF 15
OCT 74 AGREED SUBJECT TO THREE CONFIRMATIONS, TO RELEASE TARE
INVITATION FOR BID (IFB). THREE HOLDOUTS (CANADA, UK, AND
DENMARK) CONFIRMED AGREEMENT IN MEETING 22 OCT 74. CHAIRMAN
(ELDON SMITH) PROPOSED A SYG PO ANNOUNCING DECISION AND
ADVISING DPC THAT ALLIES HAVE NOT YET RESOLVED PRODUCTION
SHARING ISSUE. US REP (CAMPBELL) SUPPORTED IDEA OF ALERTING DPC
TO ABOVE IN VIEW OF HARD LINE MOD RICHARDSON RESPONSE TO SECDEF
LTR (REF A). GUIDANCE REQUESTED ON POSSIBILITY OF MODERATE
FLEX IN US POSITION TO FORCE CANADIAN HAND. END SUMMARY.

1. IN MEETING OF 15 OCT 74 COMMITTEE DISCUSSED ALTERNATIVE
PROPOSALS FOR EARLY RELEASE OF TARE IFB (REF B). ALTHOUGH US HAD
INDICATED WILLINGNESS TO INCLUDE REFERENCE TO MINIMUM PRODUCTION
SHARING FIGURE OF 20 PCT, MAJORITY FAVORED RELEASE WITHOUT
CONFIDENTIAL

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FIGURES. DECISION SET RELEASE DATE ON OR ABOUT 1 NOV 74 WITH
CLOSING DATE 28 FEB 75 AND DIRECTED THAT PRODUCTION SHARING
PERCENTAGE BE SUPPLIED TO BIDDERS NOT LATER THAN 20 DEC 74
(POST-MINISTERIAL).

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2. CANADA, UK, AND DENMARK CONFIRMED THEIR AGREEMENT IN MEETING OF 22 OCT 74. WITH CLEAR FINAL DECISION ON TARE IFB IN HAND, CHAIRMAN SUGGESTED IT WOULD BE USEFUL TO HAVE SYG CIRCULATE ANOTHER PO ADVISING DPC OF THE INFRASTRUCTURE COMMITTEE ACTION ALERTING DPC TO THE FACT THAT THE ALLIES HAD BEEN UNABLE TO RESOLVE THE PRODUCTION SHARING ISSUE AT INFRASTRUCTURE COMMITTEE LEVEL; AND REMINDING DPC THAT THIS ITEM IS STILL ON THE DPC AGENDA. US REP STRONGLY SUPPORTED THIS IDEA IN VIEW OF THE HARD LINE REFLECTED IN MOD RICHARDSON'S RESPONSE TO THE SECDEF LETTER (REF A) AND POSSIBLE NEED TO TREAT THE IMPLICATIONS OF THE CANADIAN POSITION AT POLITICAL LEVEL.

3. US REP ALSO JOINED MAJORITY IN SUPPORTING A PROPOSAL BY NICSMA REP (LE HARDY) THAT THE INFRASTRUCTURE COMMITTEE PREPARE A BACKGROUND PAPER FOR THE DECEMBER MINISTERIAL FOCUSSINGPRIMARILY ON TARE IFB AND STATUS OF PRODUCTION SHARING ISSUE, BUT REFERRING ALSO TO THE CLOSELY-RELATED PROBLEMS OF COST ESCALATION, ETC. MISSION BELIEVES THIS WILL BE USEFUL ANALYSIS.

4. IN SPITE OF SUPPORT FOR CANADIAN POSITION ON PRO-DUCTION SHARING SHOWN BY SOME COUNTRIES, THE TONE OF DISCUSSION IN RECENT INFRASTRUCTURE COMMITTEE MEETINGS HAS BEEN MORE ONE OF CONCERN ABOUT DELAY THAN INSISTENCE ON SPECIFIC PERCENTAGE SHARES. THIS DOES NOT MEAN THAT OTHER PRODUCERS ARE WILLING TO ACCEPT AN OPEN BID BUT THEY ARE OBVIOUSLY INCREASINGLY RESTIVE ABOUT WHAT THEY VIEW AS BASICALLY A US-CANADIAN STAND-OFF.

5. THERE HAVE BEEN REFERENCES IN RECENT COMMITTEE MEETINGS TO POSSIBLE COMPROMISES AND SPECIFICALLY TO A 25 PCT OF CONTRACT FIGURE WHICH MIGHT BE ACCEPTABLE TO ALL (EXCEPT PERHAPS CANADA). THE COMMITTEE IN FACT CONSIDERED THE 25 PCT FIGURE AS ONE ALTERNATIVE BASIS FOR EARLY RELEASE OF THE TARE IFB (REF A). US REP HAS FREQUENTLY REMINDED ALLIES THAT WE ARE WORKING FROM AN AGREEMENT TO PROCEED WITHOUT PFODUCTION CONFIDENTIAL

SHARING (AC/4-D/2202) WHICH THEY NOW CHOOSE TO REJECT, AND THAT THE US HAS MOVED FROM ZERO SHARING TO 20 PCT WHEREAS THERE HAS BEEN NO GIVE ON THE OTHER SIDE. WE REMAIN CONVINCED THAT US POSITION IS REASONABLE FOR THE TARE IFB; BUT WE ALSO RECOGNIZE THAT THE EUROPEAN PRODUCER NATIONS ARE CONVINCED THAT AMERICAL FIRMS CAN SWEEP THE BOARD ON TARE, IVSN, AND SGT AND THAT SHORTAGE OF FUNDS AND COST ESCALATION MAY WELL CUT THE PROJECT SHORT BEFORE OTHER ALLIES CAN ACHIEVE THE PRODUCTION SHARES TO WHICH THEY ARE ENTITLED UNDER D/2202.

6. THE DECISION TO RELEASE THE TARE IFB HAS STARTED A CLOCK WHICH RUNS OUT ON 20 DEC 74, AND EFFECTIVELY EVEN 10 DAYS EARLIER IF MINISTERS ARE TO BE READY TO REACH AGREEMENT ON

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PRODUCTION SHARING. THIS DECISION COMES PRECISELY AT THE MOMENT WHEN THE CANADIANS HAVE OFFICIALLY INDICATED THAT THEY ARE MORE INTERESTED IN A COMMERCIAL RETURN FOR THEIR INDUSTRY THAN THEY ARE IN NICS.

COMMENT: MISSION BELIEVES THIS IS THE POINT AT WHICH US MAY WANT TO TAKE A DISCREET INITIATIVE TO BREAK THE IMPASS BY ARRANGING A THIRD PARTY PROPOSAL OF A COMPROMISE FIGURE. THERE IS AN OBVIOUS RISK THAT IN SUGGESTING ANY FIGURE ABOVE OUT PREVIOUS OFFER OF 20 PCT OF CONTRACT PRICE WE INVITE FURTHER ESCALATION. THIS SEEMS UNAVOIDABLE BUT WE BELIEVE WE CAN DEAL WITH IT BY MAKING IT CLEAR THAT US IS RELUCTANT BUT WILLING TO ALLOW EXTENSION OF THE IFB CLOSING DATE OR POSSIBLE CANCELLATION IF CONFRONTED WITH UNREASONABLE DEMANDS.

ACTION REQUESTED: WASHINGTON'S COMMENTS ON POSSIBLE COMPROMISE PROPOSAL AT UP TO 25 PCT OF CONTRACT PRICE LEVEL.
MCAULIFFE.

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